

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00 INR-07

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5266

INFO AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

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C O N F I D E N T I A L CAIRO 9587

E.O. 11652: GDS

TAGS: EAID, EGEN, PFOR, EG

SUBJECT: ARAB FUND FOR EGYPT

REF: CAIRO 8859

1. WHEN TAKING NEWBERRY TO MEET WITH MIN FINANCE ABU ISMAIL TODAY, I ASKED FOR LATEST NEWS ON FINANCE MINISTERS MEETING IN CAIRO TO ESTABLISH ARAB FUND FOR EGYPT.

2. ABU ISMAIL SAID HE HAD NOT HEARD ANYTHING NEW. TO BEST OF HIS KNOWLEDGE, ARAB FINANCE MINISTERS STILL ENVISAGE \$2 BIL-LION CAPITALIZATION FOR A FIVE YEAR PERIOD. FOR THE MOMENT AT LEAST, ABU ISMAIL SEEMED TO BE RECONCILED TO THAT FIGURE, ALTHOUGH HE STILL REGARDS IT AS PALTRY. HE HOPES TO TAKE ARAB FINANCE MINISTERS TO SUEZ CANAL AREA AND MEHALLA EL-KUBRA AND OTHER INDUSTRIAL AREAS IN ORDER TO DEMONSTRATE TO THEM THAT EGYPT IS NOT SQUANDERING MONIES MADE AVAILABLE TO IT BY ARAB DONORS. HE DID NOT KNOW HOW LONG ARAB FINANCE MINISTERS EXPECT TO BE HERE.

3. ADVERTING TO SIZE OF FUND, ABU ISMAIL INDICATED THERE WERE SEVERAL ASPECTS WHICH GOE WILL HAVE TO EXPLORE. FIRST, SINCE

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GOE'S BUDGETARY ESTIMATES PROJECT GREATER OUTLAYS THIS YEAR

AND NEXT THAN IN THE SUCCEEDING THREE YEARS, MIGHT ANNUAL FUND DISBURSMENTS TO EGYPT BE GREATER IN FIRST TWO YEARS AND SMALLER IN OUTYEARS OR MUST ANNUAL DISBURSEMENTS BE EQUAL. SECOND, SINCE GOE'S REQUIREMENTS EXCEED BY FAR WHATEVER ANNUAL AMOUNT MAY BE DRAWN FROM FUND, WOULD WEALTHY ARAB STATES BE PREPARED TO GIVE BANK GUARANTEES TO PERMIT EGYPT BORROW MONEY ON COMMERCIAL MARKET? THIRD, GIVEN HIGH COMMERCIAL MARKET INTEREST RATES, WOULD ARAB DONORS BE WILLING OFFER SUFFICIENTLY LOW INTEREST TERMS FOR FUND TO PROVIDE SOME SORT OF BALANCE FOR BORROWINGS FROM COMMERCIAL MARKET? ALL OF THESE ARE UNANSWERED QUESTIONS.

4. ABU ISMAIL REITERATED USUAL EGYPTIAN LINE. ARAB STATES SHOULD RECOGNIZE EGYPT'S NEEDS AND CONTRIBUTION TO ARAB CAUSE. IN THIS CONNECTION, HE OPINED, PRESIDENT SADAT WAS WISE IN NOT INTERVENING IN LEBANON. CHAOTIC SITUATION THAT HAS DEVELOPED THERE, AS ABU ISMAIL SAW IT, SHOULD DEMONSTRATE TO ARAB STATES THAT WITHOUT EGYPT'S ACTIVE PARTICIPATION IN ARAB WORLD PROBLEMS, THOSE PROBLEMS ARE CERTAIN TO WORSEN. IN ITS PRESENT DIFFICULT ECONOMIC CIRCUMSTANCES, GOE CANNOT DO MUCH TO HELP SOLVE SUCH PROBLEMS.

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